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SUBJECT: CENTRAL BANK OF TURKMENISTAN OPEN TO RENEWED U.S.

ASSISTANCE AND COOPERATION ACROSS BANKING SPECTRUM

**¶1.** (U) Sensitive but unclassified. Not for public Internet.

SUMMARY

**¶2.** (SBU) During a July 23 meeting with USAID Deputy Assistant Administrator Drew Luten, the Central Bank of Turkmenistan indicated openness to assistance from the United States for the first time in two years. Assistance ceased more than two years ago following the dismissal of the bank's former chairwoman. Despite current Chairman Geldimyrat Abylov's absence at this most recent meeting, Deputy Chairman Dovlet Akhadov and several department heads shared the bank's short-, medium-, and long-term priorities, and how and where USAID's assistance would be helpful. Areas for potential further cooperation and assistance include: macroeconomic modeling, international accounting standards, combating money laundering and terrorism financing, banking supervision, monetary policies, and credit and computer systems. END SUMMARY.

RECONFIRMING U.S. COMMITMENT TO TURKMENISTAN'S DEVELOPMENT

**¶3.** (SBU) Luten stressed that his delegation's purpose was to reconfirm and also extend the U.S. commitment to Turkmenistan's progress. Luten said the delegation hoped to learn the bank's priorities for the next five years and longer. He also brought with him an offer: USAID wants to help the Central Bank of Turkmenistan (CBT) tackle issues of monetary management.

CENTRAL BANK'S RENEWED REQUEST FOR USAID ASSISTANCE

**¶4.** (SBU) CBT Monetary Department Director Gurbanbibi Atayeva said the bank has been able to control the inflation rate in 2006 at target levels and is providing credit services and assisting privatization efforts in Turkmenistan. The bank previously had USAID help on macroeconomic modeling and other issues. USAID had also provided various training programs. CBT welcomed renewed cooperation in modeling and would be pleased to participate in additional training programs.

FIRST PRIORITY: INTERNATIONAL ACCOUNTING STANDARDS

15. (SBU) CBT Banking Supervision Department Director Halmurad Orayev said the bank's first short- to medium-term priority was to complete the transition to meeting international accounting standards. CBT has already taken steps in that direction and currently receives technical assistance from UNDP. (COMMENT: Although an agreement has been signed, UNDP has limited funds and has not yet provided any technical assistance. END COMMENT.) If the bank wants additional training, Orayev said, it might apply for USAID assistance if this process proceeds.

#### SECOND PRIORITY: COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

16. (SBU) The second priority, said Orayev, is combating money laundering and terrorism financing. CBT will be the principal implementer of new legislation being developed on those fronts. In preparation, the bank needs to improve its infrastructure and staff training, which it began to do with the International Monetary Fund but which requires more action. The bank has been working directly with donors and countries that wanted to help. It was noted USAID's Partners for Financial Stability (PFS) program may do seminars and training relevant to this effort.

#### THIRD PRIORITY: BANKING SUPERVISION AND CAPITAL

17. (SBU) The Banking Supervision Department expressed doubt about the sufficiency of capital in banks. The current level stands at 10 percent, said Orayev. The bank aspires to move from this Basel I level toward Basel II. "To do this, we would really need assistance from donors," he admitted, "and from your side."

#### LONGER-TERM PRIORITIES: FROM CREDIT TO COMPUTERS

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18. (SBU) CBT's longer-term priorities include strengthening monetary policies, the credit system, and computer software. Through credit, for example, the bank could better provide for Turkmenistan's small- and medium-sized enterprises, agricultural development, and housing loans for the general population. As with more immediate priorities, Orayev again stated, "We would need assistance from your side and other donors."

#### USAID: ADDITIONAL AREAS FOR COOPERATION?

19. (SBU) Luten observed that it seemed CBT is already very busy. Maureen Dugan, USAID Director of the Europe and Eurasia Economic Growth Office, hoped the two sides might nonetheless expand their cooperation. The USG is interested in eventually introducing international accounting standards into Turkmenistan's universities to train more people. Additionally, USAID and CBT have an opportunity to work on bank training and supervision through USAID's PFS program.

110. (SBU) USAID/CAR Senior Economist Michael Boyd added that USAID has experience establishing mechanisms to deal with a country's natural resources whose use could have negative consequences for that country. Boyd also told Orayev he'd like to help facilitate cooperation between CBT personnel and their counterparts in Kazakhstan, Azerbaijan, and the international community.

#### COMMENT

111. (SBU) With no prodding necessary, Central Bank of Turkmenistan personnel present at the meeting -- including the deputy chairman -- mentioned areas of banking operations in which they not only would like but also would need USAID assistance. That CBT asked for renewed help across a broad spectrum of issues, that CBT more than once praised past USAID trainings and other assistance, and that CBT detailed steps already taken and results already achieved suggests the bank seriously values the cooperation it previously enjoyed with USAID and the future partnership that might develop. That said, it remains to be seen how far this cooperation might go, given the current CBT chairman's general lack of receptivity to assistance from international donors. END COMMENT.

¶12. (U) DAA Luten has cleared this cable.

HOAGLAND